

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8080

BILL NUMBER: HB 1896

DATE PREPARED: Jan 11, 2001

BILL AMENDED:

SUBJECT: Benefits for Part-time State Employees.

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill extends participation in state-provided group health insurance programs to state employees who hold part-time appointments, as defined by the State Personnel Department, to either merit or nonmerit positions.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill would allow persons employed in 181 authorized part-time state positions the option of participating in a state-provided group health insurance program. If all of these positions were filled, and all the employees chose to participate, the estimated cost to the state would be approximately **\$ 1.15 M in FY 2002 and \$ 1.21 M in FY 2003**. (As a point of reference, the state's cost of providing group health insurance to the 34,584 state employees currently enrolled in a group insurance plan is estimated to be \$222.1 M in FY 2002 and \$235.4 M in FY 2003.)

The estimate assumed that the affected employees would choose specific insurance plans and sign up for single or family benefits under those plans in the same proportion as do state employees currently participating in the state's group health insurance programs. The above estimates also assumed that premiums would increase at an annual rate of 6%.

The addition of these part-time and interim employees may have an effect on the **premiums** of a health plan depending upon (1) the health claims history of the employees and (2) the relative size of that group. In particular, if the claims history of the additional employees suggests that they are a higher risk group than current members of the state employee health plan, premiums of the plan could potentially increase. The extent of the increase would, in part, depend upon the size of the group joining the state health plan whose potential higher health care costs must be distributed among all members of the state health plan. By agreement with the current state employees, the state agrees to pay 93.5% of any increase in the total premiums for both single and family coverage during the life of the agreement. Employees will pick up the

remaining 6.5% of any increase.

The estimates above do not include costs that the state could incur as a result of COBRA requirements. Under COBRA, an employee participating in a group health insurance program may continue to participate in that program for up to 18 months after the employee has terminated employment with the state. (In some cases, individuals covered under a family policy may continue coverage for up to 36 months.) While COBRA allows the former employee to be charged 102% of the regular premium charged current employees, this amount does not completely cover all the state's costs. Any additional costs would be dependent on the number of additional eligible former state employees who enroll in a COBRA program, the duration of the enrollment, and the specific insurance policy carried.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Agencies with authorized part-time positions.

Local Agencies Affected:

Information Sources: Keith Beesley, State Personnel Department, 232-3062; U.S. Bureau of Labor Statistics.